GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:327
ANSWERED ON:18.08.2006
LOAN OUTSTANDING AGAINST STATES
Dhindsa Shri Sukhdev Singh;Reddy Shri Mekapati Rajamohan

Will the Minister of FINANCE be pleased to state:

(a) the Central loan including interest outstanding against each State during the last three years, year-wise;

(b) the loans/advances provided to each of the State Government during the above period;

(c) the details of loan written-off by the Union Government, State-wise; and

(d) the steps proposed to be taken by Government to improve management of finance in this regard?

Answer

THE MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

(a) State-wise details of outstanding central loans (Ministry of Finance) including interest for the last three years is given in the enclosed Statement-I.

(b) Amounts of loans/advances provided to each of the State Governments during the last three years are given in the enclosed Statement-II.

(c) Detail of State-wise loans written off by the Union Government under Eleventh Finance Commission`s (EFC) General Debt Relief Scheme and Twelfth Finance Commission`s (TFC) Debt waiver Scheme is given in the enclosed Statement-III.

(d) Consequent upon the acceptance of the recommendations of the Twelfth Finance Commission, Government of India has formulated and circulated a scheme called `The States` Debt Consolidation and Relief Facility (2005-06 to 2009-10)`. Under the scheme, the past Central loans (Ministry of Finance) contracted till 31.3.2004 and outstanding as on 31.3.2005 are to be consolidated and rescheduled for repayment in 20 equal annual installments at a reduced interest rate of 7.5%, subject to states enacting Fiscal Responsibility and Budget Management Acts with suggested core provisions. In addition, the debt write-off recommended by TFC is linked to reduction of revenue deficit of states for repayments due from 2005-06 to 2009-10 on the consolidated central loan, subject to laid down conditions.State Governments are also required, inter-alia, to formulate their own Fiscal Correction Path outlining various reforms to augment their revenues and compress their expenditure to eliminate their revenue deficits by the year 200B-09 and control their fiscal deficits.